

Message Text

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ACTION EUR-12

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COMMERCE FOR BEWT

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SUBJECT: SOME PROBLEMS OF THE SOVIET INDUSTRIAL PERFORMANCE

REF: MOSCOW 5623

SUMMARY: THE MOSCOW PRESS VIEW OF FIRST QUARTER INDUSTRIAL
PERFORMANCE IS RESTRAINED. AS TRUD'S APRIL 26 REVIEW PUT IT:
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THERE WERE UNQUESTIONABLY SUCCESSES, BUT THEY GIVE NO REASON
FOR "COMPLACENCY." THIS MESSAGE CONCENTRATES ON SOME OF
THE ACTUAL AND POTENTIAL PROBLEM AREAS. THE CENTRAL STATISTICAL
ADMINISTRATION LISTED NON-FULFILLMENT OF A NUMBER OF TARGETS
SUCH AS PRODUCTION, ASSORTMENT, GROWTH OF LABOR PRODUCTIVITY,
ACCUMULATION, AND THE IMPLEMENTATION OF MEASURES TO FIND
SUPPLEMENTARY RESOURCES AND TO RAISE PRODUCTION EFFICIENCY

AND THE QUALITY OF WORK. TRUD PUT THE BLAME ON MATERIAL FACTORS - EQUIPMENT BREAKDOWNS, SLOWNESS OF REPAIRS, SUB-STANDARD INPUTS AND THEIR NON-DELIVERY OR IRREGULAR DELIVERY. PRAVDA EDITORIALS, ON THE OTHER HAND, STRESSED ORGANIZATIONAL PROBLEMS, A STRESS THAT REFLECTS THOSE ASPECTS IN WHICH THE PARTY HAS TRADITIONALLY BEEN MOST DEEPLY INVOLVED. END SUMMARY

1. GAS AND OIL.

GAS IS DOING WELL, BUT THERE ARE AT LEAST SOME REASONS FOR DOUBTING THAT THE GOALS FOR OIL OUTPUT CAN BE FULLY MET. AT 86.6 BILLION CUBIC METERS, GAS IS RUNNING AHEAD OF THE ANNUAL PLAN RATE. IF PERFORMANCE FOLLOWS LAST YEAR'S TREND, OUTPUT COULD REACH SOME 350 BCM ABOUT 8 BCM ABOVE PLAN. THIS, IF ACHIEVED, WOULD BE ONE OF THE BRIGHT SPOTS IN THE SOVIET ECONOMIC PERFORMANCE FOR 1977, EVEN THOUGH IT WOULD BE NO GUARANTEE THAT AMBITIOUS PLANS FOR SUCCEEDING YEARS WILL ALSO BE MET.

2. AS LAST YEAR, TYUMEN WAS THE SOURCE OF THE GROWTH IN OIL PRODUCTION. FOUR ASSOCIATIONS - THOSE IN TURKMEN, PERM, THE CASPIAN SEA AND KRASNODARSK - DID NOT MEET THEIR TARGETS; THEY WERE DOWN BY A TOTAL OF 739,000 T OF CRUDE. THE BASIC REASON - CRACKS RESULTING FROM WEATHER CONDITIONS AND SHORT-COMINGS IN MATERIAL-TECHNICAL SUPPLY.

3. TRUD DESCRIBED THE OIL OUTPUT (INCLUDING AS CONDENSATE) OF 132 MT AS 4 PERCENT GROWTH OVER THE FIRST QUARTER OF 1976 AND AS OVERFULFILLMENT OF THE PLAN BY 319,000 TONS. A PROJECTION ALLOWING FOR A SLIGHTLY BETTER SECOND HALF, LIMITED OFFICIAL USE

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ALONG THE LINES OF LAST YEAR'S, WOULD INDICATE AN ANNUAL OUTPUT OF 540-544 MMT, OR ABOUT 1 TO 2 PERCENT BELOW THE GOAL OF 550 MMT GIVEN EARLIER (MOSCOW 2571), BUT STILL A SUBSTANTIAL INCREASE OVER THE 520,000 TONS PRODUCED IN 1976.

4. FERROUS METALLURGY.

PUTTING A GOOD FACE ON IT, TRUD SAID "LONG-TERM DEVELOPMENT CONTINUED" IN THE FIRST QUARTER, BUT IT CRITICIZED THE INDUSTRY FOR NOT UTILIZING ALL OF ITS RESERVES. ELEVEN ENTERPRISES ADMITTED FALLING BEHIND IN OUTPUT OF CAST IRON, AND IRREGULARITY OF SUPPLY OF CAST IRON AND SCRAP METAL WAS ONE OF THE IMPORTANT FACTORS IN THE OTHER PRODUCTION SHORTFALLS. OTHER IMPORTANT ONES WERE ACCIDENTS TO HEARTHES, DELAYS GETTING HEARTHES BACK INTO OPERATION AND UP TO CAPACITY AFTER RE-CONSTRUCTION, AND UNPLANNED REPAIRS OF STEEL FURNACES. IN THE ONLY MENTION OF A MANAGEMENT PROBLEM, SHORTCOMINGS IN THE ORGANIZATION OF PRODUCTION WERE MENTIONED AS A FACTOR

5. CONSTRUCTION MATERIALS.

TOTAL PRODUCTION WAS 4.1 MILLION RUBLES ABOVE PLAN AND THAT REPRESENTED A 3 PERCENT GROWTH. THERE WERE "SIGNIFICANT SUCCESSES" IN A NUMBER OF IMPORTANT PRODUCTS,BUT, SAID TRUD SOMEWHAT DISINGENUOUSLY, "RESULTS COULD HAVE BEEN HIGHER" HAD IT NOT BEEN FOR SUCH DIFFICULTIES AS A SHORTAGE OF RAILWAY CARS FOR THE DELIVERY OF BOTH RAW MATERIALS AND FINISHED PRODUCTS AND ALSO THE "NON-DELIVERY" OF ELECTRIC POWER AND HEAT. SIGNIFICANTLY, THE OUTPUT OF CEMENT "AND SEVERAL OTHER TYPES OF MATERIALS" DID NOT MEET PLAN, AND ASBESTOS-CONCRETE PIPE WAS SPECIFICALLY MENTIONED.

6. CONSUMER GOODS.

ALTHOUGH PRODUCTION WAS UP IN SEVEN MAJOR CATEGORIES AND LIGHT INDUSTRY OVER FULFILLED PLAN BY ONE PERCENT, THERE WERE IMPORTANT SHORTFALLS, AND BUYERS DID NOT RECEIVE SOME 200 MILLION RUBLES' WORTH OF FABRICS, CLOTHES AND SHOES THAT HAD BEEN ORDERED. THE PRINCIPAL REPROACHES LIE AGAINST THE LIMITED OFFICIAL USE

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MINISTRY OF THE TEXTILE INDUSTRY OF THE RUSSION REPUBLIC AND THE MINISTRIES OF LIGHT INDUSTRY OF THE UZBEK, TURKMEN, LATVIAN, GEORGIAN AND SEVERAL OTHER REPUBLICS.

7. TRUD PLACED THE MAIN BLAME ON ABOVE-NORM IDLENESS OF TECHNICAL EQUIPMENT (NO REASON GIVEN), ESPECIALLY IN THE TEXTILE

INDUSTRY. A SECOND - AND WE THINK PROBABLY MORE IMPORTANT- FACTOR WAS THE CONTINUED PRODUCTION OF SUBSTANDARD GOODS. IN JANUARY ALONE, SAID TRUD, WHOLESALE ORGANIZATIONS OF THE UNION-REPUBLIC MINISTRIES OF TRADE SENT BACK TO ENTERPRISES 10-14 PERCENT OF THE SHIPMENTS CHECKED BECAUSE THEY WERE SUBSTANDARD OR NEEDED REPAIR. THE TYPES OF GOODS REJECTED INCLUDED COTTON AND SILK FABRICS, LEATHER SHOES, KNOTS, AND FUR AND SEWN GOODS, AND SOME ENTERPRISES IN THE SEWING IDUSTRY HAD THEIR ENTIRE PRODUCTION REJECTED.

8. RAILWAYS.

ALTHOUGH NOT TREATED AS A SEPARATE TOPIC, RAILWAY TRANSPORT OBVIOUSLY CONTINUES TO BE A SERIOUS BOTTLENECK, RAILWAY PROBLEMS WERE CITED AS A FACTOR IN THE SHORTFALLS IN CONSTRUCTION MATERIALS SECTOR AND THEY MAY HAVE BEEN INVOLVED IN THE SUPPLY DIFFICULTIES IN THE GAS AND OIL INDUSTRY. MOREOVER, BELOW PLAN OUTPUT OF RAILROAD CARS AND SHORTFALLS IN LOCOMOTIVE PRODUCTION BODE ILL FOR THE FUTURE, TOO.

9. COMMENT: THIS CABLE HAS HIGHLIGHTED PROBLEM AREAS IN SOVIET FIRST QUARTER INDUSTRIAL PERFORMANCE BECAUSE THEY INDICATE BOTTLENECKS ON FUTURE GROWTH. BUT ONE SHOULD NOT OVERLOOK THE FACT THAT NOT ONLY DOES THE ECONOMY CHURN ALONG, IT ALSO SCORES SOME SUCCESSES. GAS IS AN OBVIOUS ONE THIS

TIME, BUT SOME CONSTRUCTION MATERIALS, WHICH HAVE BEEN PROBLEM
AREAS IN THE PAST, ALSO MADE PLAN. LIGHT INDUSTRY WAS ONE
PERCENT OVER PLAN, AND THE OUTPUT OF A NUMBER OF CONSUMER
GOODS WAS UP, EVEN THOUGH QUALITY IN THIS AREA REMAINS A
SIGNIFICANT PROBLEM.
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